

***United States Court of Appeals  
for the Second Circuit***



**EXHIBITS**



ORIGINAL

**75-7051**

United States Court of Appeals  
For the Second Circuit.

FIRST NATIONAL BANK OF HOLLYWOOD, DOROTHY BUCHMAN and SANDER BUCHMAN, as Executors of SAMUEL BUCHMAN, Deceased,

*Plaintiffs-Appellees,*

*against*

AMERICAN FOAM RUBBER CORP., MILTON R. ACKMAN, as Trustee of AMERICAN FOAM RUBBER CORP., Bankrupt,

*Defendants,*

MARIE LOUISE DEMONTMOLLIN, ALEXANDER F. PATHY and SUZANNE M. PATHY,

*Defendants-Appellants.*

**EXHIBIT VOLUME.**

WINER, NEUBURGER & SIVE,  
*Attorneys for Defendants-Appellants,*  
425 Park Avenue,  
New York, N. Y. 10022



DOROTHY BUCHMAN,  
*As Executrix of the Estate of Samuel Buchman, Pro Se,*  
3180 South Ocean Drive,  
Hallandale, Fla. 33009

THE REPORTER COMPANY, INC., New York, N. Y. 10007--212 732-6978--1975

(6031)

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## EXHIBIT 34.

WALTER E. HELLER &amp; COMPANY

Report of Examination

Report:

Client:

Mr. John Scott Miller Corp. S.

Address:

Montgomery, Pa. 19121

Kind of Receivables:

Open Accounts Receivable

Exhibits brought down to:

Aug. 29, 1962

Schedules brought down to:

Aug. 29, 1962

Status of Account:

August 29, 1962

Accounts Required

\$ 500,000.00

Accounts covered by Special Reserve

\$ 100,000.00

Acceptable Accounts Required

\$ 100,000.00

Reserve

\$ 100,000.00

Inventory Loan

\$ 100,000.00

Chancery Mortgage Loan

\$ 200,000.00

Retail

\$ 200,000.00

Status of Account Reconciled?

\$ 200,000.00

Accounts Set Up As Instructed?

\$ 200,000.00

Records Properly Stamped?

\$ 200,000.00

Condition of Receivables Held: Date: Aug. 29, 1962

(Exh. "A")

Good Accounts

\$ 200,710.37

\$ 200,000.00

Bad Accounts

\$ 32,910.63

\$ 32,910.63

## EXHIBIT 34

with balances in excess of \$ 4,500.00

<u>Name</u>	<u>Rating</u>	<u>% of Accts.</u>	<u>Held</u>	<u>Amount</u>
Almond Holzrade Corp., N.Y.	A&AI	1.5	\$ 1,893.00	
Ameskin Rubber Inc., Quincy, Mass.	A&AI	1.2	\$ 1,371.27	
Auto. Supply Co., Branches	A&AI	1.1	\$ 1,328.34	
Brown & C. W. Johnson, N.Y.C.	A&AI	7.4	27,751.80	
C. H. Morris & Sons Prod., Brooklyn, N.Y.	A&AI	1.6	\$ 1,661.37	
Chicago Rubber Co., Chicago, Ill.	A&AI	1.2	\$ 1,324.00	
Continental Tires Rubber, Brooklyn, N.Y.	A&AI	2.7	\$ 1,910.63	
Continental Tire Co., Chattanooga, Tenn.	LJR	2.1	\$ 1,659.47	
Continental (Keweenaw Co.) Dodge	F3	5.1	\$ 19,148.26	
Total		23.7		\$ 89,615.12

Disposition of Total Receivables: Date: Aug. 1, 1900 (Sch. A)

	<u>Percent</u>	<u>Amount</u>
Held by Walter E. Heller & Company		
Prime and Good Accounts	71.2	\$ 205,300.70
Balance on Affected Accounts	1.0	\$ 4,000.00
General Reserve Accounts	22.1	\$ 60,715.12
	94.3	<u>378,215.82</u>
Fras.		
Acceptable	1.5	\$ 6,180.80
Unacceptable	3.6	\$ 14,270.35
Inactive	.6	\$ 2,570.24
Inter-Company (Schedule)		
Contra (Schedule)		
Total: Credit Balances	100.0	\$ 401,210.00
		<u>239.17</u>
Total Outstanding		\$ 401,449.17

## EXHIBIT 34

	2 periods
Total Outstanding at End of period	\$224,603.34
Average Monthly Outs. during period	289,072.03
Bad Debts charged off during period	509.51
Average Turnover of Accounts	40 Days
Returns & Allowances (% of Gross Sales)	4.3
Discounts Allowed (% of Collections)	2.0

Comparison of Sales and Returns: (Sch. 28) CONSOLIDATED

	Sales	Returns and Allowances	% of Gross Sales
July 17, 1960	194,075.63	5,000.98	2.6
July 19,	193,332.95	10,213.71	5.6
July 22,	183,766.39	15,334.51	6.3
July 23,	213,794.12	4,441.02	2.1
March 27,	256,234.52	11,221.85	4.4
Feb. 26,	273,352.21	11,076.11	4.1
 Total for Period	 1,375,005.23	 58,720.70	 4.0
Total same Period last year	2,459,531.82	102,374.56	4.2
INCREASE - Decrease-R	<u>\$ 1,084,477.59R</u>	<u>43,645.78R</u>	
% of Increase - Decrease-R	<u>44.1R</u>	<u>40.6R</u>	

Unfilled Orders on HandStatement of Working Capital: (Exhibit "B")

	7/17/60	1/3/60	Increase Decrease (P)
Current Assets	1,623,697.71	1,440,001.21	243,696.50
Current Liabilities	1,574,046.93	980,406.00	593,640.93
Working Capital	111,140.78	459,595.21	347,954.43 (R)
Other Assets	1,065,135.93	1,043,698.79	21,437.14
Deferred Liabilities & Reserves	503,066.69	497,251.60	8,415.09
Total	<u>\$ 674,110.03</u>	<u>1,000,000.00</u>	<u>325,889.97 (R)</u>
Curr. Ratio	13.73 to 1	2.13 to 1	11.60 to 1

Details of the Changes in Working Capital are shown in Exhibit "C".

## EXHIBIT 34

Reconciliation of Earnings Statement to Return - 30

~~Balance at Beginning (Date: 1/3/60 )~~ \$221,711.00

Add:

Profit for	Months Ended	
Other Credits: Prior year adjustment		3,641.41
Officers Life Insurance Adjustment		700.20
Difference in adj. of depreciation when accelerated method		21,411.51
		100,644.50

Deduct:

Loss for	period	
Dividends Paid		100,100.40
Other Charges:		
1957 Income Tax Assessment		680.60

~~Balance at End (Date: 7/17/60 )~~

DEFICIT(R) \$ 0.211.00(R)

Statement of Profit and Loss: (Exhibit "D")

Periods

For the 7 months Ended July 17, 1960

Profit or Loss-R before Depreciation  
and Provision for Taxes on Income

\$ 278,165.37 (R)

Supplies: (Add:)

Depreciation charged

120,025.11

Provision for Taxes on Income

\$ 338,190.48 (R)

THIS REPORT IS FOR THE USE  
AND PURPOSE OF YOUR INVESTIGATIONS  
WITHOUT LIABILITY OR LIABILITY  
FOR THE CORRECTNESS OF ANY KIND.  
WALTER E. HILLER & COMPANY  
DISCLAIMS ANY  
WARRANTIES OF ANY KIND.

Loss-R for Period

Executive Salaries: (Detailed in Schedule 25 )

Periods

For the 7 Months Ended July 17, 1960

\$ 46,307.65

Inventories: (Schedule 13 )

How Computed: Physical Count Cost System

Gross Profit of

%

Amount at Statement Date

July 17, 1960

\$ 1,470,700.00

Amount at Previous Statement Date July 27, 1960

\$ 1,470,700.00

Increase - Decrease ( 7.3 % )

\$ 1,470,700.00

I CHL 134

Accounts Payable: (Schedule 27)Turnover of Accounts Payable

Days

Condition of Payables: Date: July 17, 1960

<u>Aged from Date of Invoice:</u>	<u>Per Cent</u>	<u>Amount</u>
1 - 30 days	% 100.0	\$ 138,506.31
31 - 60 days		
61 - 90 days		
91 - 120 days		
121 - 150 days		
More than 150 days		
*Total not include \$123,717.27 paid over draft recovered and \$37,643.02 accrued exp. not end admission.	% 100.0	138,506.31
Debit Balance		
Total		\$ 138,506.31

Notes Payable - Secured: Date: July 17, 1960 (Schedule 27)

<u>Firm</u>	<u>Security</u>	<u>Int.</u>	<u>Due after One Year</u>	<u>Due in One Year</u>
Walter E. Heller & Co.	Chattel Mortgage	\$ 441,606.09	58,333.33	
Walter E. Heller & Co.	Inventory	-	600,000.00	
Total		\$ 441,606.09	600,000.00	

Terms and conditions of leasing  
arrangement with United States  
Leasing Corp. shown on Sch. 23.

Items indicated with an asterisk have been subordinated to Walter E. Heller & Company.

THIS REPORT WAS PREPARED FROM YOUR BOOKS AND RECORDS FOR THE PURPOSE  
AND PURPOSE AND IS DELIVERED AT YOUR REQUEST FOR YOUR CONSIDERATION.  
WITHOUT LIABILITY OR OBLIGATION ON OUR PART AND WITHOUT ANY GUARANTEE  
OF THE CORRECTNESS OF ANY PART THEREOF OR ANY REBUTABLE PROOF OR  
WARRANTIES OF ANY KIND.

- 5 - WALTER E. HELLER & COMPANY

## EXHIBIT 34

Notes Payable - Unsecured: Date: July 17, 1960 (Sch. A-1)

	Interest	Due after One Year	Due in One Year
1965 " 5% Debenture Bonds Due Aug. 1965		\$ 64,000.00	
Total		<u>\$ 64,000.00</u>	

Items indicated with an asterisk have been subordinated to W.E.H. & Co.

Due to Officers: Date: 7/17/60 (Sch. 14) Increase or Decrease since

Name	Amount	Last Examination
K.G. de Maptmollin, Treas.	\$ 15,000.00	-15,000.00

Arising from payment of bonds  
due in April, 1960.

Total Due Officers	<u>\$ 15,000.00</u>	<u>15,000.00</u>
--------------------	---------------------	------------------

Items indicated with an asterisk have been subordinated to W.E.H. & Co.

Due from Officers: Date: 7/17/60

(Sch.)

H O M E

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AND PURPOSE AND IS PROVIDED AT YOUR REQUEST PURSUANT TO CONFIDENTIAL  
WITHHELD STATUS. IT IS THE PROPERTY OF THE FEDERAL BUREAU OF INVESTIGATION,  
U.S. DEPARTMENT OF JUSTICE. IT IS NOT TO BE COPIED OR Duplicated  
VIA TELETYPE, TELETYPE, OR COMPUTER.

Total Due from Officers \$ \_\_\_\_\_

## EXHIBIT 34

Cash Examination (Schedules 16 )

Bank statement reconciled? Yes Date: July 17, 1960

Cancelled checks examined for signature, payee and endorsement for the month of July, 1960. Irregularities noted: None

Receipts and disbursements analyzed for period month of July 18, 1960 to Aug. 4, 1960.

Unusual items: None

Taxes Per Questionnaire

The following taxes were delinquent:

## NOTE

Total delinquent taxes \$ \_\_\_\_\_

GENERAL COMMENTS

Sales for the six periods Feb. 26 to July 17, 1960 fell off 44.1% from a similar period last year. The loss for seven periods to date is \$365,190.00.

Yours truly,

J. V. HEDDERSON  
Chairman  
Audit Department

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- 7 - WALTER E. HELLER & COMPANY

## EXHIBIT 34

~~Examination Statements Mailed Last Examination~~

~~for Correct Replies.~~

Disposition of Accounts Which Did Not Reply:

Paid in Full

Partially Paid

Closed by Credit Memo

Contra Account

Unpaid Unable to verify

~~Examination Statements Mailed this Examination~~

Accounts Repurchased:

Balance Unpaid at Date of Last Examination

\$

Repurchased since Last Examination

Total

Disposition of Repurchased Accounts:

Paid in Full

\$

Closed by Credit Memo

Contra

WORK

Other

Unpaid

\$

Started 8/3/60

A.M.

8/26/60

A.M.

P.M.

Finished

P.M.

MAN DAYS WORKED

Received 9/24/60

8/3/60

Typed 10/16/60

Date of last certified audit report received

Date of last interim report received

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WALTER C. HELLER & COMPANY

## EXHIBIT 34

PURCHASE ORDERS CHECKED

DATE Aug. 1, 1960

CLIENT AMERICAN RUBBER &amp; SOUTHERN

<u>NAME</u>	<u>ADDRESS</u>	<u>SALES</u> <u>LAST 4 MONTHS</u>	<u>W.E.H. &amp; CO.</u>	<u>ASSIGNMENT</u>	<u>DATE ORDER</u>	<u>PROHIBITED</u>	<u>WAIVED</u>	<u>FORM</u>
Upholstery Co., Baltimore, Md.						No		Verbal
Acme Pipe Prod., Brooklyn, NY						"		Cust. PO
Am. Indian Rubber Co., Chicago, Ill.						"		"
Am. Kite Rubber Co., Brooklyn, NY						"		Verbal
Am. Mfg. Co., Syracuse, NY						"		"
Am. Textiles, Central Falls, RI						"		Cust. PO
Am. Upholstery Supply, Jamaica, LI NY						"		Verbal
Ice Products	Brooklyn, NY					"		"
John Rubber	Philadelphia, Pa.					"		"
Mac Leather & Dye, Brooklyn, NY						"		"
Printed Co. Inc., Chant., Tenn.						"		"
Seven Cook	Norfolk, Virginia					"		"
Stalin Ind.	Brooklyn, NY					"		Cust. PO
Sy Reed & Rattan, Elizabetht., NY						"		Verbal

100 R.R.

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 AND IS NOT TO BE COPIED OR REPRODUCED AT YOUR PLEASURE. IT IS THE PROPERTY OF  
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 NO GUARANTEES OF ANY KIND ARE MADE AS TO THE ACCURACY OF THE INFORMATION  
 CONTAINED IN THIS REPORT.

WALTER E. HELLER & COMPANY

The exact phraseology of the clauses prohibiting assignment, on accounts checked, are shown in Schedule "6".

Note - This form is to be checked against the records of Mr. Green to determine the date the restriction was waived. This form should indicate if waiver covers all orders or applies to specific orders.

## EXHIBIT 40.

\*SIXTH: Subordination

A. The parties named below hold five (5%) per cent registered debentures issued by American Foam or Burlington in the following respective amounts:

Name of Holder	American Foam Series A Debenture Due May 1, 1960	American Foam Series B Debenture Due May 1, 1965	Burlington Debenture Due <u>April 1, 1960</u>
Samuel Buchman	\$48,000	\$64,000	\$12,000
Marie Louise de Montmollin	63,000	79,000	15,000
Alexander F. Pathy	-0-	80,000	-0-

To induce Samuel Buchman to sell his capital stock hereunder, Marie Louise de Montmollin and Alexander F. Pathy hereby agree with respect to the debentures of each of said corporations that the rights of any holder (including her or him) of the debentures thereof now held by her or him and referred to above, be subordinated to the rights of any holder or holders of the debentures thereof now held by Samuel Buchman (including him) as to the payment of interest and principal. No claim for interest under the debentures so subordinated shall be made unless all interest payable on the debentures now held by Samuel Buchman shall have been paid in full, and no claim for principal under any of the debentures so subordinated shall be made unless the entire principal of all the debentures now held by Samuel Buchman shall have been paid in full.

If for any reason, either corporation shall pay interest or principal on said debentures to any of the Buyers, or to any person deriving title to the debentures of said corporation from any of the Buyers, and said payment shall be made without first satisfying the priority to which the holder or holders of Samuel Buchman's debentures are entitled by reason of the foregoing provisions, the amount or amounts of the payment so made to the Buyer (or to the person deriving title from her or him) shall be promptly paid by such Buyer to said holder or holders of Samuel Buchman's debentures. Any payment made on account of principal shall be endorsed on said debentures, which shall be submitted to the payor for that purpose.

## EXHIBIT 40

"B. Samuel Buchman is the holder of a five (5%) percent Promissory Note of American Foam in the sum of \$25,000. The Buyers hold similar Promissory notes aggregating \$100,000. To induce Samuel Buchman to sell his capital stock hereunder, the Buyers hereby agree to subordinate the payment of (1) interest of their respective said Promissory Notes to the payment of interest and (2) principal thereof to the payment of principal, on or before said \$25,000 Promissory Note held by Samuel Buchman and they further agree to make no claim for interest on their respective said Promissory Notes until interest on the Promissory Note held by Samuel Buchman shall have been paid in full, and to make no claim for principal unless the principal of the Promissory Note held by Samuel Buchman shall have been paid in full.

C. To induce the respective Buyers to buy his capital stock sold hereunder, Samuel Buchman hereby agrees with respect to his debentures of American Foam and Burlington that the rights of any holder (including him) of said debentures shall in all respects continue to be subordinated, as they are presently, to claims of The First Pennsylvania Banking and Trust Company now existing against said corporations or either of them by reason of credit extended, or to claims of any other financial institution which after the date hereof may in whole or in part become a creditor of said corporations or either of them by reason of the refinancing of the credit now extended to said corporations or either of them by The First Pennsylvania Banking and Trust Company. Samuel Buchman's agreement so to continue the subordination of his debentures shall be subject to the two following limitations: (1) Such agreement shall expire on December 31, 1959, and (2) the aggregate indebtedness of either or both of said corporations to which his debentures shall continue to be subordinated, as above provided, shall not be in excess of \$650,000."

## EXHIBIT EN.

6-21-55 AMERICAN FOAM RUBBER CORPORATION  
TPM EX-B DEPT. F-10-60 A.F. CHSHEC TS

THIS AGREEMENT made this 14<sup>th</sup> day of July, 1955,  
between AMERICAN FOAM RUBBER CORPORATION, a New York corporation,  
(herein called "Rubber Corp."), party of the first part, BURLINGTON HOLDING  
CORP., a New York corporation, (herein called "Holding Corp."), party of the  
second part, (Rubber Corp. and Holding Corp. being collectively sometimes herein  
called "Borrowers"), and THE PENNSYLVANIA COMPANY FOR BANKING AND  
TRUSTS, (herein called "Bank"), party of the third part,

## WITNESSETH:

WHEREAS, Holding Corp. is the owner of certain land and buildings in  
Burlington, New Jersey, which it has leased to Rubber Corp.; and

WHEREAS, at an aggregate cost not to exceed \$500,000 without the  
prior written consent of Bank, Holding Corp. desires to erect an additional  
building also to be leased to Rubber Corp. and Rubber Corp. desires to purchase  
and install additional machinery and equipment in the premises leased and to be  
leased to it by Holding Corp.; and

WHEREAS, Borrowers desire to borrow from Bank amounts not  
exceeding in the aggregate \$400,000 to assist in the financing of such construction  
and machinery, and Bank is willing to make such loans upon the terms and  
conditions herein set forth.

NOW, THEREFORE, it is agreed as follows:

## SECTION I. CONDITIONS OF THE LOAN

The obligation of the Bank to make the loans provided for under this  
agreement is subject to the following conditions:

1.1 Holding Corp. shall have outstanding not less than \$30,000  
principal amount of its 5% Debenture Bonds payable April 1, 1960, which amount  
is presently outstanding.

1.2 Rubber Corp. shall have sold, for a consideration of not less  
than \$300,000 its Debenture Bonds payable August 1, 1965. Such Debenture Bonds

## EXHIBIT EN

shall be in form satisfactory to the Bank and shall be in addition to the \$120,000 principal amount of its Debentures due April 1, 1960 which are now outstanding

1.3 The amount of Debentures to be sold pursuant to Paragraph 1.2 may be reduced by the amount of any cash received by Rubber Corp. after February 28, 1955 from any sale of its capital stock as evidenced by an appropriate certificate of an officer of Rubber Corp. delivered to Bank.

1.4 All of the Debentures of Holding Corp. heretofore issued shall have been subordinated to the loans to be made by the Bank hereunder and all of the Debentures of Rubber Corp. heretofore and hereafter issued shall have been subordinated to the loans to be made by the Bank hereunder by agreements in form and substance satisfactory to the Bank.

1.5 There shall have been executed, delivered and recorded a mortgage and chattel mortgage from Holding Corp. to Bank as security for the loan to be made by the Bank hereunder which shall be a first lien upon all of the real estate and equipment of Holding Corp. The form of such mortgages and the evidence that the same are a first lien upon the real estate and equipment respectively shall be satisfactory to Bank.

1.6 There shall have been executed, delivered and recorded a chattel mortgage from Rubber Corp. to Bank as security for the loan to be made by Bank hereunder which shall be a first lien upon all of the machinery and equipment of Rubber Corp. at the time of the execution thereof except the machinery and equipment which is to be replaced by the new and additional machinery and equipment as hereinabove recited. The form of such mortgage and the evidence that the same is a first lien shall be satisfactory to the Bank. Such mortgage shall provide for the release by the Bank from the lien thereof from time to time and at the request of Rubber Corp. of such machinery and equipment as Rubber Corp. desires to dispose of for replacement by new and additional machinery and equipment purchased in accordance with the terms of this agreement.

## EXHIBIT EN

SECTION 2. THE LOAN2.1 The Borrowings

Subject to the terms and conditions of this agreement Bank agrees to lend to Borrowers from time to time amounts not exceeding in the aggregate \$400,000. Each borrowing shall be in the amount of \$50,000 or a multiple thereof, and no borrowing shall be made after July 15, 1956.

2.2 The Notes

At the time of each borrowing Borrowers shall execute their joint and several Note to Bank in the form of Exhibit "A" hereto attached (each of which Notes is herein called "Temporary Note"). On July 15, 1956, or on such earlier date as Bank shall have loaned to Borrowers hereunder the full commitment of \$400,000, Borrowers shall execute and deliver to Bank Borrowers' joint and several Note (herein called "Permanent Note") the principal of which shall be equal to the aggregate of the loans then made by Bank under this agreement, which Permanent Note shall be in the form hereto attached marked Exhibit "B". Upon the execution and delivery of the Permanent Note all of the Temporary Notes shall be cancelled and returned to Borrowers. The principal of the Permanent Note shall be payable in 16 consecutive quarter annual installments each of which shall be one-sixteenth of the principal of the Permanent Note, the first installment to be payable 6 months after the date herein provided for the execution and delivery of said Note.

2.3 Interest

Interest upon all of the Notes shall be payable at a rate which is 1% above the Philadelphia Prime Commercial Rate of Interest which is in effect on the first day of the month in which the interest accrues, but the rate of interest shall not be less than 4% per annum. The interest upon the Temporary Notes shall be payable on the 15th day of each month. Interest upon the Permanent Note shall

## EXHIBIT EN

be payable monthly on the same day of each month as the day of the month herein provided for the execution and delivery of the Permanent Note.

SECTION 3. REPRESENTATIONS AND WARRANTIES

Borrowers represent and warrant:

3.1 That each of them is a validly organized and existing corporation of the State of New York.

3.2 That each of them is duly qualified as a foreign corporation to transact the business in which it is engaged and in which it proposes to be engaged in the State of New Jersey.

3.3 That the financial statements of each of the Borrowers submitted to the Bank in connection with the application for the loan fairly and accurately represent their respective financial conditions and results of operations at the times and for the periods therein set forth.

3.4 That there are no legal proceedings pending or to the knowledge of either of the Borrowers threatened against them or either of them except such as are fully insured against with responsible insurance carriers.

3.5 That each of the Borrowers has the power and right to execute and deliver this agreement and the Notes to be given pursuant to this agreement and that the same will be the valid and binding contracts and obligations of the Borrowers in accordance with its and their terms.

3.6 That the respective Borrowers have the power and right to execute and deliver the mortgages herein provided for.

SECTION 4. COVENANTS OF THE BORROWERS

Each of the Borrowers covenants and agrees that during the entire time that this agreement is in effect and thereafter so long as any portion of the principal of or any interest upon any Note given pursuant to this agreement remains unpaid, it will:

## EXHIBIT EN

4.1 Furnish to Bank within 90 days after the end of each semi-annual and annual fiscal period, separate and combined reports of audit of the Rubber Corp. and its subsidiaries and of the Holding Corp. prepared and certified by a Certified Public Accountant.

4.2 Promptly furnish to Bank such additional information and reports concerning the financial condition and operations of the Borrowers as Bank may from time to time request, and permit a representative of Bank to inspect the books, records and property of Borrowers at any reasonable times.

4.3 Maintain the aggregate combined and consolidated minimum working capital of Borrowers and their subsidiaries in an amount not less than \$350,000 at all times. "Net Working Capital" for the purposes of this agreement shall mean the excess of current assets over current liabilities, each determined in accordance with generally accepted accounting practices as consistently applied by the independent Certified Public Accountants in the preparation of the previous financial statements of the Borrowers.

4.4 Maintain fire, casualty, liability and workmen's compensation and such other insurance in such amounts and covering such risks as is customary for companies operating plants of the same character in the same general localities as the plants of Borrowers.

4.5 Except to the extent that the validity or amount thereof is being contested in good faith and by appropriate proceedings, pay and discharge prior to the date when any interest or penalty would accrue for the non-payment thereof all taxes, assessments and governmental charges imposed upon Borrowers and their properties, franchises, operations, products and income.

4.6 Make no changes in the offices of President, Vice President, Secretary or Treasurer of either of the Borrowers without the prior written approval of Bank. In the event of death, resignation or any incapacity of any of the above mentioned officers, Borrowers agree to obtain the prior written approval of Bank

## EXHIBIT EN

before appointing his successor.

4.7 Make no loans or advances to any person, firm or corporation, except a wholly owned subsidiary, aggregating more than \$10,000 at any one time outstanding without the prior written approval of Bank.

4.8 Refrain from declaring or paying upon any class of its capital stock now or hereafter outstanding dividends which in the aggregate for both of the Borrowers would exceed \$25,000 in any fiscal year except dividends payable solely in the capital stock of the Borrowers or either of them. X

4.9 Refrain from making any expenditures for fixed assets in excess of \$50,000 per annum other than the expenditures contemplated in the recitals on the first page of this agreement.

4.10 Refrain from mortgaging, pledging or otherwise encumbering or permitting any lien or encumbrance upon any of the assets of either of the Borrowers or of any of their subsidiaries except the mortgages herein expressly provided for and the lien of taxes which Borrowers are not required to pay under the provisions of Paragraph 4.5.

4.11 Refrain from purchasing or redeeming any of the capital stock of either of the Borrowers or of any of their subsidiaries if the aggregate consideration for all of such purchases and redemptions exceeds \$10,000 in money or property. Y

4.12 Refrain from making any investments in the stock or securities of any corporation or body excepting those of a wholly owned subsidiary of Rubber Corp., or obligations of the United States.

4.13 Refrain from merging or consolidating with any corporation or permitting any subsidiary so to do, provided that the Borrowers may merge or consolidate with each other or with any subsidiary.

4.14 Refrain from disposing of any substantial portion of fixed assets, provided that this limitation shall not apply to the sale or other disposition of machinery and equipment for replacement by other or additional machinery and

## EXHIBIT EN

equipment of equal or greater value.

4.15 Refrain from becoming guarantor or surety for any person or corporation except for a subsidiary or for each other or except in the normal course of business.

4.16 At the time of the last borrowing hereunder execute, deliver and record additional chattel mortgages from Borrowers to Bank as security for the loan, which shall be a first lien upon all of the machinery and equipment of Borrowers which is not theretofore the subject of a chattel mortgage to Bank; and upon any further or later acquisition of machinery or equipment, promptly execute such further chattel mortgage or chattel mortgages thereon as will result in Bank having at all times chattel mortgages which are first liens upon all of the machinery and equipment of Borrowers as security for the loan.

SECTION 5. EVENTS OF DEFAULT

The following shall constitute events of default on the part of Borrowers:

A 5.1 Failure of Borrowers to pay any quarterly installment of principal of the Permanent Note within ten days after the same becomes due.

5.2 The failure of Borrowers to pay any installment of interest upon any Temporary Note or upon the Permanent Note for a period of ten days after such installment becomes due.

5.3 Any representation or warranty made in this agreement or any financial statement or other information or report furnished pursuant to this agreement proves to be incorrect in any material respect.

5.4 The breach on the part of Borrowers in performance of any other provision of this agreement and the failure to cure such breach within 30 days after written notice thereof by Bank. *SA*

5.5 A decree or order by a court having jurisdiction in the premises

## EXHIBIT EN

shall have been entered adjudging either of the Borrowers a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization under the Bankruptcy Act or any other similar applicable Federal or State law; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of either of the Borrowers or of its property, or for the winding up or liquidation of its affairs, shall have been entered and such decree or order shall have continued undischarged and unstayed for a period of 30 days, or

5.6 Either of the Borrowers shall institute proceedings to be adjudicated a voluntary bankrupt, or shall consent to the filing of a bankruptcy proceeding against it, or shall file a petition or answer or consent seeking reorganization under the Bankruptcy Act or any other similar applicable Federal or State law, or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or of its property, or shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or corporate action shall be taken in furtherance of any of the aforesaid purposes.

SECTION 6. RIGHTS OF BANK UPON DEFAULT

6.1 In the event of the occurrence of any default as defined in Section 5, then and in any such event at the option of the Bank the principal of and accrued interest upon all Temporary Notes then outstanding or the Permanent Note if then outstanding shall become immediately due and payable without demand, presentation or notice of any kind and the obligation of Bank to make any further loans under this agreement shall cease and terminate, anything in this agreement or in any of such Notes to the contrary notwithstanding. (b)

SECTION 7. MISCELLANEOUS

7.1 Neither the failure nor any delay on the part of the Bank to

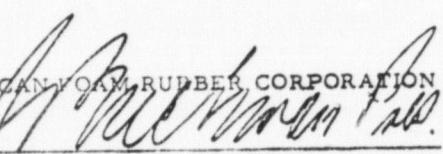
## EXHIBIT EN

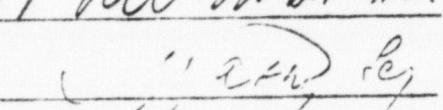
exercise any right, power or privilege under this agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise of any other right, power or privilege.

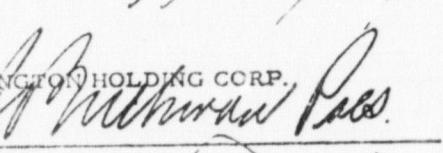
7.2 Borrowers agree to indemnify Bank for and hold it harmless from any and all liability for any documentary or stamp tax which may be assessed against Bank with respect to this agreement or any Note.

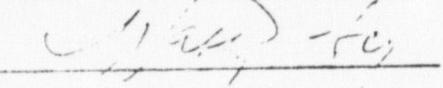
7.3 This agreement shall bind and enure to the benefit of Borrowers and Bank, and each of the parties agrees and intends to be legally bound by the provisions of this agreement. The Borrowers shall be jointly and severally bound by the provisions of this agreement.

IN WITNESS WHEREOF, the parties have caused this agreement to be executed and delivered by their proper and duly authorized officers upon the date first above written.

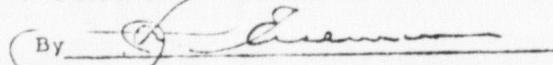
AMERICAN FOAM RUBBER CORPORATION  
By 

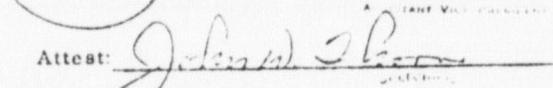
Attest: 

BURLINGTON HOLDING CORP.  
By 

Attest: 

THE PENNSYLVANIA COMPANY  
FOR BANKING AND TRUSTS

By 

Attest: 

## EXHIBIT EN

TEMPORARY NOTE

Philadelphia, Pennsylvania

, 1955

\$ \_\_\_\_\_

For value received AMERICAN FOAM RUBBER CORPORATION and BURLINGTON HOLDING CORP. jointly and severally promise to pay to the order of THE PENNSYLVANIA COMPANY FOR BANKING AND TRUSTS, at its principal office, Southeast Corner of Fifteenth and Chestnut Streets, Philadelphia, Pennsylvania, the sum of Dollars in lawful money of the United States of America on or before July 15, 1956, and to pay interest thereon on the 15th day of each month at a rate which is 1% above the Philadelphia Prime Commercial Rate of Interest which is in effect on the first day of the month in which interest accrues, but the rate of interest shall not be less than 4% per annum.

This Note is one of the "Temporary Notes" referred to and issued under a Loan Agreement between the Makers and the Payee hereof dated the day of , 1955, and is entitled to the benefits of the provisions thereof, including, inter alia, provisions specifying certain events of default upon the happening of which the principal of and accrued interest upon this Note may be declared to be forthwith due and payable.

The Makers shall have the right to prepay all or any portion of the principal of this Note at any time in any multiple of \$1,000.

AMERICAN FOAM RUBBER CORPORATION

By \_\_\_\_\_

BURLINGTON HOLDING CORP.

By \_\_\_\_\_

EXHIBIT "A"

## EXHIBIT EN

PERMANENT NOTE

Philadelphia, Pennsylvania  
, 1955

\$ \_\_\_\_\_  
 For value received AMERICAN FOAM RUBBER CORPORATION and  
 BURLINGTON HOLDING CORP. jointly and severally promise to pay to the order  
 of THE PENNSYLVANIA COMPANY FOR BANKING AND TRUSTS, at its principal  
 office, Southeast Corner of Fifteenth and Chestnut Streets, Philadelphia, Pennsylvania,  
 the sum of Dollars in lawful  
 money of the United States of America in 16 consecutive quarterly installments of  
 \$ \_\_\_\_\_ each, the first such installment to be due on the day of  
 , 195 , and the remaining installments on the day of each  
 three month period thereafter; and to pay interest upon the unpaid balance monthly on the  
 day of each month at a rate which is 1% above the Philadelphia Prime  
 Commercial Rate of Interest which is in effect on the first day of the month in which  
 interest accrues, but the rate of interest shall not be less than 4% per annum.

This Note is the "Permanent Note" referred to and issued under a  
 Loan Agreement between the Makers and the Payee hereof dated the day of  
 , 1955, and is entitled to the benefits of the provisions thereof, including,  
 inter alia, provisions specifying certain events of default upon the happening of  
 which the principal of and accrued interest upon this Note may be declared to be  
 forthwith due and payable.

The Makers shall have the right to prepay all or any portion of the  
 principal of this Note at any time in any multiple of \$1,000. Every prepayment shall  
 be applied to the monthly installments of principal as hereinabove provided in the  
 inverse order of their maturities.

AMERICAN FOAM RUBBER CORPORATION

By \_\_\_\_\_

BURLINGTON HOLDING CORP.

By \_\_\_\_\_

EXHIBIT "B"



2

American Foam Rubber Corporation - Foam Rubber Production Division<sup>a</sup>  
 STATEMENT OF FINANCIAL CONDITION  
 As of February 2, 1953

Assets

Current Assets

Cash in Banks and on Hand		\$ 48,302
Accounts Receivable - Trade	\$ 6,173	
Less: Allowance for Doubtful Accounts	480	5,733
Merchandise Inventory (As Submitted)		154,532
Supplies Inventory		8,003
Miscellaneous Receivables		3,637
Prepaid Expenses & Deferred Charges		37,128
<u>Total Current Assets</u>		\$ 256,535

Intangible Assets

Patents and Trademarks		4,000
------------------------	--	-------

Equipment in Operation

Fixed Assets	Cost	Accumulated Depreciation	Book Value
Plant and Equipment:			
Land and Building	\$ 155,451	\$ 46,459	\$108,992
Inventory and Equipment	1,117,032	360,703	756,294
Delivery Equipment	50,100	26,579	23,520
Office Furniture and Equipment	28,100	8,322	19,776
<u>Total Fixed Assets</u>	<u>\$1,430,683</u>	<u>\$502,862</u>	<u>\$902,821</u>
			900,672

Other Assets

Trade Letters		\$ 1
Deposited Receivable		400
Cost Surplus or Value - Officers' Life Insurance		600
Deferred Financial Sales Development Expenses		3,024
<u>Total Other Assets</u>		<u>4,074</u>

Total Assets

\$1,434,673

<sup>a</sup>Consisting of American Foam Rubber Corp., Burlington Holding Corp., and Burlington Workshops, Inc.

## EXHIBIT EP.

Capitalization and Capital

<u>Group III - Current Liabilities</u>	
Accounts Payable - Trade	404,422
Accrued and Household Taxes	22,724
Federal and State Income Taxes -	
Prior Years	22,302
Federal Treasury Taxes - Current Portion	2,410
Accrued Dividends Total Interest	6,015
Accrued Litigation	33,020
Marketable Securities - Current Portion	<u>100,000</u>
<u>Total Capital and Capital</u>	\$ 550,903

25,723

Proprietary Assets

<u>Group I - Long-Term Assets</u>	
Long-Term Funds Payable	4373,000
Notes Payable -	
Plant and Equipment	175,000
Notes Payable:	
Stockholders	200,000
Other	<u>25,000</u>
<u>Total Long-Term Assets</u>	675,000

75,520

Proprietary Liabilities

<u>Group II - Current Liabilities</u>	
Capital Stock Issued	4267,330
Surplus:	
Balance - January 1, 1968	(103,000)
Net Profit for the Period	<u>5,401</u>
(Exhibit "B")	
Balance - February 2, 1968	103,012
Capital - February 2, 1968	<u>4271,012</u>

4271,012

Capitalization and Capital

American Four Rubber Corporation and Wholly-Owned Subsidiaries  
 CONSOLIDATED STATEMENT OF FINANCIAL CONDITION  
 As at March 30, 1968

Assets

Current Assets

Cash in Banks and on Hand	\$ 57,017
Accounts Receivable - Trade	437,704
Less: Allowance for Doubtful Accounts	<u>110</u> 37,264
Due from Factor	10,386
Merchandise Inventory (As Submitted)	1,054,509
Supplies Inventory	20,551
Miscellaneous Receivables	10,590
Prepaid Expenses and Deferred Charges	<u>51,317</u>
<u>Total Current Assets</u>	<u>\$1,261,372</u>

Fixed Assets

Plant and Equipment:	
Land and Buildings	\$ 207,213
Machinery and Equipment	1,213,913
Delivery Equipment	50,239
Office Fixtures and Equipment	<u>51,110</u>
Total	<u>\$1,501,465</u>
Less: Accumulated Depreciation	<u>281,307</u>
<u>Total Fixed Assets</u>	<u>1,001,113</u>

Other Assets

Administrative Sales Division	
Development Costs	\$ 13,175
Deposit - Contract to purchase	1,500
Real Property	
Cash Surrender Value -	
Globe Life Insurance	600
Deposits Receivable	519
Trade Marks	<u>1</u>
<u>Total Other Assets</u>	<u>15,795</u>

Total Assets

\$1,400,000

Note: This statement gives effect to conversion of Long-Term Debt to Preferred Stock, and the acquisition of the stock of Brooklyn Moldings Corp. by division of their shareholders. Both transactions were completed after March 30, 1968.

## EXHIBIT "A"

24

## EXHIBIT EQ.

Mobilization and CapitalCurrent Mobilization

Accounts Payable - Trade	\$516,373
Accrued and Withheld Taxes	53,405
Federal and State Income Taxes - Prior Period	78,304
Federal Income Taxes - Current Profit	13,543
Accrued Debenture Bond Interest	6,475
Accrued Liabilities	53,413
Mortgage Payable - Current Portion	<u>100,000</u>
<u>Total Current Mobilization</u>	<u>\$ 303,318</u>

Long-Term Debt

Sr. Subordinate Bonds Payable	\$242,000
Mortgage Notes Payable - Plant and Equipment	175,000
Notes Payable:	
Stockholders	31,000
Other	<u>25,000</u>
<u>Total Long-Term Debt</u>	<u>373,000</u>

Deferred Preferred Security SharesPreferred Income (Schedule "AI")Capital

Capital Stock Issued - Preferred	\$303,000
- Common	273,300
Capital Surplus	120,000
Retained Surplus:	
Balance - January 1, 1958	\$291,305
Add: Net Profit for the Period (Exhibit "B")	<u>31,613</u>
Balance - March 31, 1958	<u>322,918</u>
<u>Capital - March 31, 1958</u>	<u>7,023,213</u>

Total Mobilization and Capital\$2,273,200

EXHIBIT ER.  
MINUTES OF A SPECIAL MEETING OF THE STOCKHOLDERS OF  
AMERICAN FOAM RUBBER CORPORATION

A special meeting of the stockholders of American Foam Rubber Corporation (hereinafter called the Corporation) was held at the office of the Corporation, 350 Fifth Avenue, New York 1, N. Y., on the 11th day of April 1958, at 10 o'clock in the forenoon pursuant to a consent and waiver of notice thereof.

All the holders of the capital stock of the Corporation entitled to vote were present or represented by proxy as follows:

Present in Person

Marie Louise de Montmollin	27,483 shares Class A Stock
Alexander F. Pathy	6,871 " " " "
Suzanne M. Pathy	20,612 " " " "
	<hr/>
	54,966 shares Class A Stock

Represented by Proxy

Felix A. Buskey	500 shares Class B Stock
Herman N. Thiel	200 " " " "
	<hr/>
	700 shares Class B Stock

Mr. Alexander F. Pathy, President of the Corporation, acted as Chairman and Mrs. Suzanne M. Pathy, Secretary of the Corporation, kept the minutes of the meeting.

## EXHIBIT ER

The Chairman ordered that the originals of the consent and waiver of notice executed by all the stockholders and the proxies executed by the holders of the Class B stock be attached to the minutes.

The minutes of the meeting of July 8, 1957, were read and approved.

The Chairman reported that the Board of Directors of the Corporation at a meeting held on April 10, 1958, had considered the advisability of increasing the capital of the Corporation to one million dollars (\$1,000,000) by authorizing 60,000 additional shares of Class A stock, of the par value of \$5.00 each, and 3,000 shares of 5% cumulative preferred stock of the par value of \$100 each. He submitted to the meeting a form of certificate of amendment of certificate of incorporation approved by the Board of Directors and directed that that form be attached to the minutes. He then explained the provision of Article III of the certificate of incorporation resulting from the proposed amendment and in particular the provisions relating to the preferred stock.

After discussion, on motion duly made and seconded, the following resolutions were unanimously adopted:

RESOLVED that the form of certificate of amendment of certificate of incorporation submitted to the meeting and attached to the minutes thereof be, and it hereby is, approved;

RESOLVED that Article III of the certificate of incorporation of the Corporation be amended to read as set forth in paragraph 4 of said certificate of amendment after the words "is hereby amended to read as follows:"; and .

## EXHIBIT ER

RESOLVED that the proper officers of the Corporation be, and each of them hereby is, authorized to execute and acknowledge a certificate of amendment of certificate of incorporation substantially in the form submitted to the meeting, to file such certificate with the Department of State of the State of New York, to make such changes in the form submitted to the meeting as said Department may require and to execute and deliver such further documents in the name and in behalf of the Corporation, under its corporate seal or otherwise, and to take any and all other actions as they shall deem necessary or appropriate to carry out the proposed amendment of the certificate of incorporation of the Corporation.

There being no further business to come before the meeting, it was,  
upon motion duly made and seconded,

Adjourned

Suzanne W. Pathy  
Secretary



American Feed Rubber Corporation  
and wholly-owned Subsidiaries  
CONSOLIDATED STATEMENT OF FINANCIAL CONDITION  
As at October 11, 1959

Assets

<u>CURRENT ASSETS</u>	
Cash in Banks and on Hand	\$ 12,779
Accounts Receivable - Trade	125,602
(Less Allowance for Doubtful Accounts)	
Current Income Tax Refund	88,500
Raw Material Inventory (As Submitted by the Management)	1,332,703
Work-in-Process Inventory	51,504
Allowances Receivables	17,507
Prepaid Expenses	16,774
Deferred Charges	<u>30,691</u>
<u>NET CURRENT ASSETS</u>	<u>\$1,725,366</u>

<u>PROPERTY AND EQUIPMENT</u>	
Land and Building	\$ 212,397
Furniture and Equipment	1,437,031
Delivery Equipment	52,610
Office Furniture and Equipment	<u>73,700</u>
TOTAL	<u>\$1,774,038</u>
Less Accumulated Depreciation	<u>919,425</u>
<u>NET PROPERTY AND EQUIPMENT</u>	<u>853,613</u>

<u>OTHER ASSETS</u>	
Communication Cost Repair	\$ 4,420
Claims in Process	27,654
Deferred Charges	
Cash Surrender Value - Officers' Life Insurance	994
Prepaid Receivable	425
Drawn Letters	<u>1</u>
<u>NET OTHER ASSETS</u>	<u>31,524</u>

DEFERRED CHARGES

\$2,024,729

This statement is subject to the comments contained in the letter attached.

## EXHIBIT ET.

Liabilities and Capital

<u>Current Liabilities</u>	
Net Payroll - Bank	\$100,000
Accounts Payable	521,500
Due to Factor	120,000
Accrued and Withheld Taxes	69,365
Accrued Liabilities	1,242
Notes Payable - Current Portion	
Total Current Liabilities	<u>\$1,423,100</u>

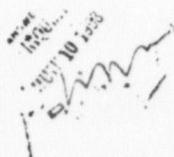
<u>Long Term Liabilities</u>	
5% Accrued Bonds Payable	\$142,000
Notes Payable Payable -	100,000
Accrued Interest	1,000
Notes Payable Due - Classified as	172,700
Capital	
Notes Current Portion Due	<u>\$3,000</u>
in Less than one year	
Total Long Term Liabilities	<u>317,700</u>

<u>Capital and Income Taxes</u>	
Capitalized	<u>\$4,401</u>
Capital	<u>1,000</u>
Total Capital	<u>54,401</u>

<u>Capital Stock Issued -</u>	
Common	\$1,000
Preferred	2,000,000
Capital	100,000
Capital Surplus	
Retained Earnings -	
October 5, 1970 (Unaudited)	\$106,310
Retained Earnings - October 5, 1970 (Unaudited)	<u>111,512</u>
Less Net Loss (111,512)	
Retained Earnings - October 11, 1970	<u>21,700</u>
Capital - October 11, 1970	<u>21,700</u>

<u>Total Liabilities and Capital</u>	<u>\$2,423,702</u>
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## EXHIBIT EZ (IN PART).



**ANALYKA REPORT**  
D U A B R A D S T R E E T , I N C.

3099 (A) CD | MAY 28, 1958  
AMERICAN FOAM RUBBER CORP. MNFR FOAM RUBBER PRODUCTS NEW YORK I NY  
(Factored by Hubshman Factors Corp.) 350 FIFTH AVENUE

Alexander F. Pathy  
Felix A. Buskey  
Suzanne (Mrs. Alexander F.) Pathy  
Marie Louise De Montmollin  
Angelo Cecchi

- President
- Vice President & General Manager
- Vice President & Secretary
- Vice President & Treasurer
- Administrative Asst. to the President

**DIRECTORS:** The officers together with Ladislas Pathy.

**RATING:** N. Q. Branch of Burlington, N.J. to A+ | Also Burlington, N.J.

STARTED: 1950  
NET WORTH: Over \$750,000 (See  
Financial Information)

PAYMENTS: Discount and prompt  
SALES: Vicinity of \$7,000,000

SUMMARY

FOLLOWING AN EXTENSIVE PLANT EXPANSION PROGRAM FINANCED BY BOTH INTERNAL AND EXTERNAL MEANS, VOLUME HAS EXPANDED MATERIALLY. MODERATE EARNINGS AND ADDITIONAL INVESTMENTS IN CAPITAL STOCK TOGETHER WITH RECENT CONVERSION OF DEBENTURES INTO EQUITY CAPITAL, HAS RESULTED IN CONSIDERABLE GROWTH IN NET WORTH. CURRENT BALANCE SHEETS HAVE BEEN CHARACTERIZED BY SIZABLE INVESTMENT IN PLANT AND EQUIPMENT AND AN EARLY ACCUMULATION OF INVENTORIES FOR SEASONAL NEEDS. WHILE NET WORKING CAPITAL APPEARS LIGHT, THE COMPANY HAS SUPPLEMENTED ITS FUNDS BY RECENTLY OBTAINING A SIZABLE UNSECURED BANK LOAN.

**HISTORY**

**INCORPORATED:** Under New York laws March 6, 1950 as a new business.

**Authorized Capital Stock:** Originally \$39,000 in both preferred and common shares increased by amendment to the corporate charter July 22, 1955 to \$350,000. An other amendment to the corporate charter filed April 17, 1958 increased authorized capital to \$1,000,000 consisting of 3,500 shares of \$100 par 5% cumulative preferred stock, 119,000 shares of \$5 par Class "A" common, 700 shares of \$5 par Class "B" common and 10,000 shares of \$5 par Class "C" common.

**Outstanding Capital Stock:** At March 30, 1958 a total of \$578,330 in capital stock was outstanding consisting of \$300,000 in preferred stock, \$274,850 in common Class "A" stock and \$3,500 in common Class "B" stock.

**Former Stockholders and Officers:** Until his death in 1953, C. E. Egry was Vice President, Secretary and a director of the company. He was the founder of the company. His interest passed to his daughter, Marie Louise De Montmollin. Heading the company in its management from the inception, Samuel Buchman appeared as President and a director until he resigned as of May 17, 1957. At that time, his interest was purchased by the other officers, with no effect on corporate capital.

**Present Control:** A breakdown of the capital stock holdings of the officers and directors has not been furnished.

(CONTINUED)

## EXHIBIT EZ (IN PART)

AMERICAN FOAM RUBBER CORP.  
PAGE 2 (A)

NEW YORK I NY  
MAY 28, 1958

HISTORY (Contd)MANAGEMENT

Alexander F. Pathy, married, born 1902. Stated to have attended Hungarian State College and the Sorbonne, Paris, France and holds an L.L.B. and L.L.D. Degree from Sorbonne. Formerly was a member of the International Mixed Court of Egypt and maintained a law practice in Alexandria, Egypt. Is now a member of the Egyptian National Courts and a member of the New York, American and International Bar. Came to the United States during 1942 and received an L.L.B. Degree from Columbia University during 1945. He, with his brothers, control Society Industrielle and Commerciale D'Egypt, (SICO) S.A.E. Alexandria, Egypt, which has exclusive Coca Cola bottling franchises and operates 6 plants and 25 warehouses in Egypt and which is said to be worth about \$6,000,000. He is also stated to be a director of Federal Commerce and Navigation Company Ltd., Toronto, Canada. Reported to have vested interests in several Coca Cola Bottling companies located abroad including the Coca Cola Bottling plants located in Italy. Joined this company in 1953 and appeared as Executive Vice President until the resignation of Samuel Buchman during May, 1957, at which time, he assumed his present office taking full charge of the management.

Felix A. Buskey, married, born 1919. Has been associated with American Foam Rubber Corp. since its formation in 1950 prior to which he had been employed by Firestone Industrial Products Co. He is General Manager and is in charge of production and sales.

Suzanne Pathy, wife of the President, is active.

Marie Louise De Montmollin, born about 1925 and is the daughter of the late C. E. Egry from whom she subsequently inherited her interest in this company. She is said to represent a substantial stock interest.

Ladislas Pathy, brother of Alexander F. Pathy, is married and was born during 1897. Educated in Egypt and currently divides his time between his interests in that country and the United States. He is stated to be managing director of Alexandria Navigation Co., S.A.E. Egypt and Society Industrielle and Commerciale D'Egypt, (SICO) S.A.E. Alexandria, Egypt. Is stated to be Vice President of Alexandria Life Insurance Co., and Alexandria Insurance Co., both in Egypt and a director of Federal Commerce and Navigation Company Ltd., Toronto, Canada.

Ladislas Pathy also appears as President of Federal Bulk Carriers Inc. and Pathy Lines Inc. both at 60 East 42nd Street, New York City. Federal Bulk Carriers Inc., owns and operates tankers and bulk carriers and Pathy Lines Inc., operates as ship charterers, which are operated by affiliated companies. Financial details have not been furnished on the aforementioned companies, although net worth is reported to be in excess of \$1,000,000. Pathy is also Chairman of the Board of Atlantic Commerce & Shipping Co. Inc., ship charterers and agents with headquarters in New York City.

(CONTINUED)

## EXHIBIT EZ (IN PART)

AMERICAN FOAM RUBBER CORP.  
PAGE 3 (A)

NEW YORK I NY  
MAY 28, 1958

HISTORY (Contd)

Angelo Cecchi is the administrative assistant to the President. For six years until 1957 was reportedly in charge of the financial management of the Pathy interests in Egypt and was in special charge of the Coca Cola Bottling plant operation. Prior to that he was employed in Italy as an efficiency export and also had his own industrial management business. Stated to have considerable experience in industrial analysis.

OPERATION-LOCATION

Products: Manufactures a diversified line of foam rubber products including pillows, mattresses and foam rubber furniture cushioning.

Distribution: Through its various subsidiaries, the company sells to furniture manufacturers, users in the upholstery trade, department stores, distributors and jobbers on a nationwide basis.

Terms: 2% - 10 - EOM.

Employees: Approximately 400.

Seasonal Characteristics: About 2/3 of the volume transacted from August through December.

Factoring Arrangement: The company maintains a straight factoring arrangement with Hubshman Factors Co., New York City, whereby the factor cashes the sales, checks the credits and purchases resultant receivables without recourse. Occasional unsecured over-advances are permitted. There have been no secured loans made.

Productive Facilities: Company's headquarters are presently maintained at 350 Fifth Avenue in the Empire State Building, located in an active commercial section of midtown Manhattan.

The company and its subsidiaries own and occupy a plant located at 45 Salem Avenue, Burlington, New Jersey, where about 90,000 square feet of floor space is utilized. Another subsidiary, namely, Riverside Industries Inc., operates a converting plant located in Riverside, New Jersey, renting about 100,000 square feet, for the benefit of its parent.

SUBSIDIARIES

As of December 31, 1957 the company had four subsidiaries (1-2-3-4) all of which were wholly owned. Another subsidiary was formed during February 1958 (6). Subsequent to March 30, 1958 the company acquired the capital stock of a former related company (5) and, at the present time, has six subsidiaries, which are wholly owned and which are described as follows:

(CONTINUED)

## EXHIBIT EZ (IN PART)

AMERICAN FOAM RUBBER CORP.  
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NEW YORK 1 NY  
MAY 28, 1958

SUBSIDIARIES (Contd)

- (1) Mirafoam Inc., retail sales division. Organized New York laws November 24, 1950 as A F R Sales Corp., name subsequently changed. Handles sales to retail outlets.
- (2) Mirafoam Industrial Sales Inc., industrial sales division. Organized New York laws November 24, 1952 as Suffafoam Sales Corp., name subsequently changed. Handles sales to industrial users, principally in the Eastern territory of the United States.
- (3) Mirafoam Industrial Sales of Illinois Inc., organized Delaware laws April 23, 1953 as American Foam Rubber Corp. of Illinois, name subsequently changed. Handles industrial sales and warehousing in the Mid-Western area of the United States.
- (4) Riverside Industries Inc., organized under Delaware laws January 14, 1955, operating a converting plant in Riverside, New Jersey, producing and applying the cloth covering for foam rubber pillows and other products manufactured by the parent with its entire output going to the parent.
- (5) Burlington Holding Corp., organized under New York laws, May 15, 1950 to hold title to the property at 45 Salem Avenue, Burlington, New Jersey. Its capital stock was formerly held by the individual stockholders of American Foam Rubber Corp., and at December 31, 1957, it had an individual net worth of \$68,229. Principal asset was land and buildings valued at \$109,608 and principal debt consisted of \$30,000 in debenture bonds. During April, 1958, its stockholders donated their interests in the company to American Foam Rubber Corp., at which time, it became a wholly-owned subsidiary. This transaction resulted in the creation of the capital surplus account in the amount of \$120,000 on a Pro-Forma interim financial statement as at March 30, 1958.
- (6) Burlington Work Shops Inc., organized under New York laws on February 10, 1958 to perform certain machine shop functions for the benefit of American Foam Rubber Corp.

Inter-Company Relations: Inter-company relations between the parent and subsidiary companies are said to consist principally of merchandise transactions whereby the parent sells to its 3 sales divisions and which accounts are settled out monthly. There is said to be no inter-company money advances such as loans and there are no formal guarantees or endorsements.

(CONTINUED)

## EXHIBIT EZ (IN PART)

AMERICAN FOAM RUBBER CORP.  
PAGE 5 (A)

NEW YORK 1 NY  
MAY 28, 1958

COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

		<u>Dec 31 1956</u> (Interim)	<u>Dec 31 1957</u> (Fiscal)	<u>Mar 30 1958</u> (Pro-Forma)
Cash		\$ 91,260	\$ 325,744	\$ 57,017
Accounts Receivable-Free		418,615	49,076	37,264
Accounts Receivable-Factor		56,355	205,134	10,326
Inventory		326,213	683,182	1,084,599
TOT. CUR. ASSETS		1,392,443	1,263,136	1,189,206
Fixed Assets (P)		942,632	857,611	1,001,113
Prepaid-Deferred		35,415	49,849	42,557
Misc. Receivables		11,215	3,414	11,077
Cash Sur. Value Life Ins.		10,332	---	600
Supplies Inventory		---	---	20,551
Ind. Sales Dev. Costs.		21,081	---	13,175
Due from Affiliate		---	2,036	---
Trademark		1	---	1
TOTAL ASSETS		2,413,113	2,176,056	2,278,280
		=====	=====	=====
Due Banks		250,453	---	---
Accounts Payable		631,384	552,685	516,173
Income Taxes		3,972	82,403	91,852
Other Taxes		35,002	50,582	33,405
Accruals		101,459	74,753	61,888
Mtge. Payable-Current (S)		100,000	100,000	100,000
TOT. CUR. LIABS.		1,147,423	860,423	803,318
		=====	=====	=====
Mtge. Payable-Deferred (S)		300,000	200,000	175,000
Debentures-Series "A"		120,000	120,000	)
Debentures-Series "B"		223,000	223,000	) 142,000
Bonds-Other		30,000	---	---
Notes Payable		104,294	125,000	56,000
Fed. Inc. Taxes-Deferred		31,783	77,800	77,806
Deferred Income		---	---	2,908
Preferred Stock		---	---	300,000
Common Stock-Class "A"		274,830	274,830	274,830
Common Stock-Class "B"		3,500	3,500	3,500
Common Stock-Other		9,000	---	---
Capital Surplus		---	---	120,000
Earned Surplus		169,289	291,497	322,918
TOTAL LIABILITIES		2,413,113	2,176,056	2,278,280
		=====	=====	=====

(CONTINUED)

## EXHIBIT EZ (IN PART)

AMERICAN FOAM RUBBER CORP.  
PAGE 6 (A)

NEW YORK I NY  
MAY 28, 1958

COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

	<u>Dec 31 1956</u> <u>(Interim)</u>	<u>Dec 31 1957</u> <u>(Fiscal)</u>	<u>Mar 30 1958</u> <u>(Pro-Forma)</u>
NET WORKING CAPITAL	\$ 245,020	\$ 402,713	\$ 385,888
CURRENT RATIO	1.21	1.46	1.48
TANGIBLE NET WORTH (A)	386,619	569,827	1,021,248
Net Sales	---	+ 7,000,000	---
Net Profit	45,765	162,667	(B) 31,613
Dividends	None	None	---

CENTS OMITTED: (P) Pledged to Secure (S). (A) Tangible net worth shown less \$70,000 reported net equity of Burlington Holding Corp., deducted inasmuch as it was not wholly owned at December 31, 1956. The figures of March 30, 1958 were prepared from a balance sheet received through the mail and accompanied by a letter of transmittal signed by Alexander F. Pathy, President, dated May 13, 1958. The figures were based upon an audit prepared by Edward Isaacs & Company, CPA's, New York City.

At March 30, 1958: Accounts receivable are shown less allowance for doubtful accounts of \$440. Merchandise inventory shown as submitted and said to be valued at lower of cost or market. Fixed assets included land and buildings, machinery and equipment, delivery equipment, office fixtures and equipment shown net, less accumulated reserves for depreciation of \$521,317. For explanation of funded debt, see below. (B) Net profit for the period January 1, 1958 through March 30, 1958.

ANALYSIS

The figures of December 31, 1956 represents the consolidated interim financial showing of the company and four wholly owned subsidiaries. Subsequently changing its fiscal closing from February 28th to calendar year, the figures of December 31, 1957 represents the consolidated fiscal financial 10 month showing of the company and its then four wholly owned subsidiaries namely, Mirafoam Inc., Mirafoam Industrial Sales Inc., Mirafoam Industrial Sales of Illinois Inc., and Riverside Industries Inc.

The figures as at March 30, 1958 represents the interim Pro-Forma consolidated financial position of the company, giving effect to certain changes which took place during April, 1958. These changes included the acquisition by the company of a former affiliate corporation, Burlington Holding Corp., as a subsidiary, the stock of said newly acquired subsidiary being donated by its stockholders and resulting in the creation of the capital surplus account of \$120,000. In addition, this balance sheet gives effect to the conversion of \$201,000 Series "A" and Series "B" debentures and \$69,000 in notes payable to equity capital represented principally by preferred stock.

Starting with moderate capital during 1950 and after sustaining an operating loss in its first year, the company's trend has been characterized by growth in equity capital largely through additional investments in capital stock, but also through retained earnings. During the last three years, the company, embarking

(CONTINUED)

## EXHIBIT EZ (IN PART)

AMERICAN FOAM RUBBER CORP.  
PAGE 7 (A)

NEW YORK I NY  
MAY 28, 1958

ANALYSIS (Contd)

on a program to enlarge and modernize its plant facilities in Burlington, New Jersey, expended close to \$900,000 toward this end and which was financed principally by debentures, loans from stockholders, sale of additional capital stock and a bank loan secured by plant and equipment. In line with this expansion program, completed toward the end of 1956, sales improved materially, illustrated by the fact that 1954 volume totaled about \$2,000,000, whereas 1957 sales exceeded \$7,000,000.

For the year ended December 31, 1957 the financial position of the company was highlighted by the sizable investment in fixed assets. Current liabilities were somewhat large in relation to the net worth and at the same time, funded debt was substantially greater than equity capital. However, the factoring arrangement with Hubshman Factors, coupled with an adequate turnover of inventories, generated sufficient working funds to permit trade obligations to be retired in an agreeable manner.

As previously mentioned, certain important changes occurred during April, 1958, highlighted by the conversion of about half of the funded debt into equity capital and the acquisition of the capital stock of a former affiliated company. As a net result, tangible net worth showed material expansion and correspondingly, fixed assets showed an increase of about \$150,000 over year end 1957, representing the real estate and equipment of the newly acquired subsidiary, Burlington Holding Corp. Net working capital, as shown at March 30, 1958 was light, but during April, 1958 the company obtained a line of unsecured bank credit of close to medium six figures from an out of town bank. According to the management, the company has, so far, borrowed \$300,000 against this line and which has provided the necessary working funds to continue operations in a satisfactory manner.

Funded Debt:

(1) Mortgage Payable-Current & Deferred: Records show that on August 13, 1955, American Foam Rubber Corp., and its then affiliated, Burlington Holding Corp., gave a chattel mortgage and real estate mortgage to the First Pennsylvania Co., for banking and trust, Philadelphia, Pa., in the amount of \$400,000. This loan, to help finance plant modernization and expansion, is to be paid, commencing January 15, 1957, in sixteen quarterly installments of \$25,000 each. That portion payable in the current year has been classified as a current liability, with the balance set-up as a deferred item.

(2) Debentures: Series "A" debentures originally issued May 1, 1950 and due May 1, 1960 and Series "B" debentures issued August 1, 1955 and due August 1, 1965 are held by the stockholders and bear interest at 5%. There is no designated security and there are no sinking funds arrangements. At December 31, 1957, outstanding debentures totaled \$343,000. During April, 1958, \$201,000 of these debentures were converted into capital stock and were represented by a certain portion of preferred shares. The remaining debentures, consisting of both Series "A" and "Series "B" continue to be held by the stockholders and are due respectively, May 1, 1960 and August 1, 1965.

(CONTINUED)

## EXHIBIT EZ (IN PART)

AMERICAN FOAM RUBBER CORP.  
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NEW YORK I NY  
MAY 28, 1958

ANALYSIS (Contd)

(3) Notes Payable: At December 31, 1957, notes payable to stockholders and others totaled \$125,000, bearing a due date of January 2, 1959. During April, 1958, \$69,000 of these notes payable were converted into capital stock and were represented by a certain portion of preferred shares. The balance of the notes payable totaling \$56,000 continue to be due January 2, 1959.

(4) Reserve for Deferred Federal Income Taxes: As permitted by the Internal Revenue Code of 1954, the company has adopted alternate methods of depreciation with respect to additions to fixed assets for the year 1954 and subsequent, but have continued to use the straight line method for general accounting purposes. This reserve represents a charge against income (\$46,023 for the year ended December 31, 1957) to provide for the estimated future taxes affect of the excess of depreciation claim for tax purposes over the straight line method.

Current Investigation: Alexander F. Pathy, President, was interviewed recently and subsequently furnished the March 30, 1958 balance sheet, the latest available at this time. Pathy asserted that now that the major expansional moves are behind the company, it is expected that net working capital position will be enlarged through future earnings. At the same time, the possibility of converting the remaining debenture bonds into equity capital was not ruled out. Pathy went on to say that the company had recently obtained a line of short-term unsecured bank credit of close to medium six figures and while has not taken full advantage of this line, has borrowed about \$300,000 so far. This supplement to working capital has permitted the company to accumulate raw material and finished goods inventories in preparation for the high level sales activity which occurs during the Fall months. Investment in inventories at March 30, 1958 was admittedly large, but according to Pathy, is enabling the company steady use of its productive facilities, thus bring down the unit costs.

According to Pathy, sales for the first quarter of 1958 dipped slightly, primarily through the industrial sales division, while retail sales held comparatively firm. Nevertheless, operations were profitable for the first quarter and is said to continue on that basis. With the continued use of the straight factoring arrangement with Hubshman Factors, in addition to the recently acquired bank line of credit, the company has been found to be retiring its obligations in a favorable manner as evidenced by the recently completed trade investigation compiled below. Pathy went on to say that based upon projections, sales are expected to meet or exceed the volume transacted in 1957.

TRADE INVESTIGATION

Following are the results of a trade survey completed on May 22, 1958:

(CONTINUED)

## EXHIBIT EZ (IN PART)

AMERICAN FOAM RUBBER CORP.  
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NEW YORK 1 NY  
MAY 28, 1958

TRADE INVESTIGATION (Contd)

	<u>HIGH CREDIT</u>	<u>OWE</u>	<u>PAST DUE</u>	<u>TERMS OF SALE</u>	<u>PAYMENTS</u>
1.	\$ 6,000	-0-	---	15th Prox	Discounts
2.	5,800	5,800	---	1-10-N-30	Discounts
3.	80	-0-	-0-	2-10-Prox	Discounts
4.	315	315	-0-	1-10-N-30	Discounts to Prompt
5.	200,000	200,000	---	N-30 N-60	Prompt
6.	50,000	30,000	---	N-70	Prompt
7.	25,000	230	---	1-10-25 N-30	Prompt
8.	9,000	864	---	1-10-N-30	Prompt
9.	8,000	2,092	---	1/2-10-N-30	Prompt.
10.	5,000	-0-	-0-	Net 30	Prompt
11.	4,700	3,300	---	N-30	Prompt
12.	2,000	---	-0-	Net 30	Prompt
13.	1,100	---	-0-	Any Terms	Prompt
14.	360	360	-0-	1-10-Net 30	Prompt
15.	160	---	---	Net 30	Prompt
16.	20	-0-	-0-	2-10-Net 30	Prompt

BANKING RELATIONS

Main banking facilities are located in Philadelphia, Pa., where satisfactory balances have been carried. In addition to a term secured accommodation, from which commitments had been met as agreed, the company has been reportedly granted a short-term unsecured bank loan in close to medium six figures.

At a New York City bank, satisfactory account has been maintained on a routine, non-borrowing basis.

5-28-58 (922 1) L 0 3 -982

## EXHIBIT FC.

Chicago Office

January 6, 1960

Mr. Walter E. Heller

Charles E. Weaver

American Foam Rubber Corp.  
Burlington, New Jersey*Fwd. Corresp.*

Dear Mr. Heller:

With reference to your memorandum of December 22nd to Peter regarding the subject company, the two obligations of \$20,945.00 to General Industries and of \$25,000.00 to Burlington Laboratories will be wiped out as liabilities since these companies will take preferred stock of the subject company as of the first of this year in settlement of the obligations. These companies are both inactive service corporations wholly owned by Dr. Pathy. In addition, Dr. Pathy and Maria Louise DeMontrollin, the principal stockholders, plan to invest an additional \$100,000.00 in cash in the company, taking in exchange, preferred stock. Their purpose in doing this is to keep the net worth of the business above \$1 million in spite of the contemplated losses in 1959 since they are most avid to retain their AAI Dun & Bradstreet rating, and they feel it is necessary to show a net worth in excess of \$1 million on their year-end balance sheet to accomplish this aim.

The unexplained adjustment in the consolidated working sheet reducing the reserve for depreciation by \$176,995.00 was not an isolated adjustment simply to improve working capital. This adjusting entry is apparently an historical bookkeeping procedure they have followed, as explained by Vern Bogle's attached memo of December 31st. Why they continue to do this is not clear to me and apparently Mr. Cherrico really could not explain it either. Dr. Pathy is abroad and as soon as he comes back we will talk to him and get a further explanation of these adjusting entries.

Very sincerely,

CEW:KH  
Enc.

EXHIBIT FD (IN PART).  
MINUTES OF A SPECIAL MEETING OF THE BOARD OF DIRECTORS OF  
AMERICAN FOAM RUBBER CORPORATION

A special meeting of the Board of Directors of American Foam Rubber Corporation (hereinafter called the Corporation) was held at the offices of the Corporation, 350 Fifth Avenue, New York 1, N. Y., on the 23rd day of April, 1958 at 9:15 o'clock in the forenoon pursuant to a consent and waiver of notice thereof.

Present were:

Mr. Alexander F. Pathy

Mrs. Suzanne M. Pathy

Mrs. Marie Louise de Montmollin

being a quorum of the directors of the Corporation.

Mr. Alexander F. Pathy, President of the Corporation, acted as Chairman and Mrs. Suzanne M. Pathy, Secretary of the Corporation, kept the minutes of the meeting.

The Chairman ordered that the originals of the consent and waiver of notice of the meeting be attached to the minutes.

The minutes of April 10, 1958 were read and approved.

The Chairman reported that the Certificate of Amendment of the Certificate of Incorporation approved by the stockholders at their meeting of April 11, 1958 had been filed with the Department of State of the State of New York on April 17, 1958. He recalled that the purpose among others of the amendment

## EXHIBIT FD (IN PART)

RESOLVED FURTHER, that in accordance with said Loan Agreement, this corporation borrow from the said WALTER E. HELLER & COMPANY (Inc.) the sum of \$500,000.00, and any officer of this corporation is hereby authorized and directed to execute a promissory installment note to the said WALTER E. HELLER & COMPANY (Inc.) evidencing said loan in substantially the form presented to this meeting and on all of the terms and conditions contained therein;

RESOLVED FURTHER, that in accordance with said Loan Agreement, and to secure said \$500,000.00 term loan, this corporation shall pledge and mortgage to the said WALTER E. HELLER & COMPANY (Inc.) all of this corporation's machinery and equipment located at its plant at Burlington, New Jersey, and at the plant of its subsidiary, RIVERSIDE INDUSTRIES, INC., at Riverside, New Jersey, all as itemized in the inventory and appraisement of Samuel T. Freeman & Company dated October 14, 1959, present to this meeting;

RESOLVED FURTHER, that in accordance with said Loan Agreement and to further secure said \$500,000.00 term loan, this corporation pledge to the said WALTER E. HELLER & COMPANY (Inc.) inventories and merchandise acceptable to said lender in the value of \$150,000.00, and further shall cause its wholly owned subsidiary, BURLINGTON HOLDING CORP., to pledge and mortgage to the said WALTER E. HELLER & COMPANY (Inc.) the plant and real estate owned by the said BURLINGTON HOLDING CORP. at Burlington, New Jersey;

RESOLVED FURTHER, that this corporation, as sole shareholder of MIRAFOM, INC., MIRAFOM INDUSTRIAL SALES, INC., MIRAFOM INDUSTRIAL SALES OF ILLINOIS, INC., RIVERSIDE INDUSTRIES, INC., BURLINGTON HOLDING CORP., and BURLINGTON WORKSHOPS, INC., vote the stock of said

## EXHIBIT FD (IN PART)

subsidiary companies to authorize and consent to the entering into by said companies of said Loan Agreement with WALTER E. HELLER & COMPANY (Inc.), to consent to the mortgaging by BURLINGTON HOLDING CORP. of its plant and real estate to the said WALTER E. HELLER & COMPANY (Inc.) in accordance with said Loan Agreement, and to consent to the guaranteeing by said subsidiaries of all loans made and to be made by the said WALTER E. HELLER & COMPANY (Inc.) to this corporation and any of its subsidiaries, all in accordance with said Loan Agreement;

RESOLVED FURTHER, that the President, Vice President and Secretary, or any one of them, of this corporation be, and they are each severally, authorized, empowered and directed to make and enter into from time to time such modifications or amendments to the above referred to agreements or any agreements or other documents executed and delivered pursuant thereto as such officers may deem proper, and to do and perform all such other acts and things and execute such other documents and agreements necessary, convenient or expedient in connection with the foregoing.

RESOLVED FURTHER, that the acts and doings of said officers in the premises, or any of them, shall at all times receive full and faithful credit without the necessity of inquiry by WALTER E. HELLER & COMPANY (Inc.) as to any of the circumstances attending the same or to the application of any money loaned or credit extended pursuant thereto, and that the acts and doings of said officers or any of them in respect to the subject matter hereof, are hereby fully ratified, approved, adopted and confirmed; and

RESOLVED FURTHER, that the authorizations herein set forth shall remain in full force and effect until written notice of their modification or discontinuance shall be given to and actually received by WALTER E. HELLER & COMPANY (Inc.) at its offices in New York City.

## EXHIBIT FD (IN PART)

The Chairman then explained that it would be advisable to increase the capital of the Corporation to \$1,200,000 by authorizing the issuance of an additional 2000shares of 5% cumulative preferred stock of the Corporation. Upon approval of such an increase by stockholders, it would be possible to substitute for certain obligations of the Corporation preferred stock.

After discussion, on motion duly made and seconded, the following resolutions were unanimously adopted:

RESOLVED that the proper officers of the Corporation be, and they hereby are, authorized to submit to the stockholders of the Corporation entitled to vote thereon an amendment to the Certificate of Incorporation of the Corporation increasing the capital stock of the Corporation to \$1,200,000 by authorizing the issuance of an additional 2,000 shares of 5% cumulative preferred stock of the Corporation;

RESOLVED that the proper officers of the Corporation be, and they hereby are, authorized and directed, subject to approval by stockholders of the Corporation, to execute, acknowledge and file a Certificate of Amendment of the Certificate of Incorporation to carry out the increase of the capital of the Corporation and to execute such further document or documents in the name and on behalf of the Corporation, under its corporate seal and otherwise, and to take any and all other action as they shall deem necessary or appropriate to carry out the proposed amendment of the Certificate of Incorporation of the Corporation; and

RESOLVED that after such amendment of the Certificate of Incorporation shall have become effective the proper officers of the Corporation be, and they hereby are, authorized to issue shares of the 5% cumulative preferred stock of the Corporation in payment of outstanding

## EXHIBIT FD (IN PART)

indebtness of the Corporation in the same  
face amount as the aggregate par value of the  
preferred stock to be issued therefor.

There being no further business to come before the meeting, it was,  
upon motion duly made and seconded  
Adjourned.

Suzanne M. Peiley  
Secretary

**United States Court of Appeals  
For the Second Circuit**  
The Reporter Co., Inc., 11 Park Place, New York, N.Y. 10007

First National Bank of Hollywood, Dorothy Buchman  
et al.

Plaintiffs-Appellees

against

American Foam Rubber Corp. et al.

Defendants

Marie Louise et al.

Defendants-Appellants

} AFFIDAVIT  
OF SERVICE  
BY MAIL

State of New York, County of New York, ss.:

Raymond J. Braddick, being duly sworn deposes and says that he is  
agent for Winer Neuberger & Sive the attorney

for the above named Defendants-Appellants herein. That he is over  
21 years of age, is not a party to the action and resides at Levittown, New York

That on the 4th day of April, 1975, he served the within  
Exhibit Volume, Appendix and Brief

Dorothy Buchman  
As Executrix of the Estate of Samuel Buchman Pro Se  
3180 South Ocean Drive  
Hallandale, Florida 33009

upon the attorneys for the parties and at the addresses as specified below

Dorothy Buchman, Executrix of the Estate of Samuel Buchman et al.  
by depositing 3 copies of each  
to each of the same securely enclosed in a post-paid wrapper in the Post Office regularly maintained by the United States Government at  
90 Church Street, New York, New York  
directed to the said attorneys for the parties as listed above at the addresses aforementioned,

that being the addresses within the state designated by them for that purpose, or the places where they then kept offices between which places there then was and now is a regular communication by mail.

Sworn to before me, this 4th.

day of April, 1975

ROLAND W. JOHNSON  
Notary Public, State of New York  
No. 4509705  
Qualified in Delaware County  
Commission Expires March 30, 1977